



Patrick W. Henning, Director



Arnold Schwarzenegger  
Governor

July 11, 2008  
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Ms. Elaine Craig, Executive Director  
Madera County Department of Education  
Employment Training Office  
209 East 7<sup>th</sup> Street  
Madera, CA 93638

Dear Ms. Craig:

WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Madera County Workforce Development Office's (MCWDO) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Karen Fuller-Ware from March 24, through March 28, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by MCWDO with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of MCWDO a review of applicable policies and procedures, and a review of documentation retained by MCWDO for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on June 2, 2008, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding 1 cited in the draft report, no further action is required at this

time. However, this issue will remain open until we verify the implementation of your stated corrective action plan (CAP) during a future onsite review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 80099.

Additionally, because your response did not address finding 2 cited in the draft report, we consider this finding unresolved. We request that MCWDO provide the Compliance Review Division (CRD) with a corrective action plan to resolve the issue that led to the finding. Therefore, this finding remains open and has been assigned CATS number 80100.

### **BACKGROUND**

The MCWDO was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, MCWDO was allocated: \$698,251 to serve 296 adult participants; \$712,955 to serve 198 youth participants; and \$504,914 to serve 98 dislocated worker participants.

For the quarter ending December 31, 2007, MCWDO reported the following expenditures and enrollments for its WIA programs: \$153,997 to serve 171 adult participants; \$36,712 to serve 192 youth participants; and \$135,039 to serve 86 dislocated worker participants.

### **FISCAL REVIEW RESULTS**

We concluded that, overall, MCWDO is meeting applicable WIA requirements concerning financial management.

### **PROCUREMENT REVIEW RESULTS**

While we concluded that, overall, MCWDO is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas: small purchase and contract language. The findings that we identified in these areas are specified below.

### **FINDING 1**

**Requirement:** 20 CFR Section 667.200(d) states, in part, that all WIA Title-I grant recipients and subrecipients must comply with the government-wide requirements for debarment and suspensions.

29 CFR Section 97.36(i)(8) states, in part, that contracts must contain language pertaining to any patent rights that might be discovered or invented under the contract.

**Observation:** The MCWDO did not include Executive Order 12689 language in their contract boilerplate under the debarment and suspension.

requirements and a provision pertaining to patent rights, copyrights, and rights in data.

**Recommendation:** We recommended that the MCWDO submit a CAP to CRD stating how it will include the provisions required above in future contracts.

**MCWDO Response:** In its response, MCWDO stated that the required language related to Executive Order 12689 and a provision pertaining to patent rights, copyrights, and rights in data has been added to Exhibit C (Assurances and Certifications) of their standard service provider contract and will be included in all contracts issued after this date.

**State Conclusion:** The MCWDO's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, MCWDO's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80100.

## **FINDING 2**

**Requirement:** Attachment B of OMB Circular A-87 Section 15(a)(1) states, in part, that acquisition cost means the cost of the asset including the cost to put it in place including net invoice prices of the equipment, the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

WIAD03-9 states, in part, that all subrecipients and their lower-tier subrecipients who plan to purchase property with an acquisition cost of \$5,000 or more per unit, including all costs related to the property's final intended use must require the State's approval prior to charging WIA grant funds.

Equipment is defined as tangible, nonexpendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit, including all costs related to the property's final intended use.

**Observation:** The MCWDO received a State approval letter to purchase a Virtual One Stop (VOS) Client Tracking/Case Management System User License agreement not to exceed the amount of \$40,000. However, the pre-approved amount of \$40,000 was exceeded by \$5,307.21 as additional items were purchased and they were not provided when the request for approval was submitted to the State.

**Recommendation:** We recommended that the MCWDO provide a CAP to CRD to ensure that it will, in the future, take the necessary action to ensure that they include all cost and any other charges necessary to make an item usable for the purpose for which it was acquired. All such associated costs must be included in the total cost for the purchase submitted for prior approval.

Additionally, we recommend that MCWDO obtain the State's approval for the additional purchase amount of \$5,307.21 associated with this procurement.

**MCWDO Response:** The MCWDO stated that they purchased an annual user license agreement for VOS from Geographic Solutions on July 20, 2008 in the amount of \$32,945.00 which was under the state approved amount.

**State Conclusion:** The MCWDO stated that they purchased an annual user license agreement for VOS from Geographic Solutions in the amount of \$32,945.00. In reviewing the purchase order dated July 24, 2007, MCWDO purchased a user license agreement for a total of \$45,307.21. The "Request for Approval to Charge WIA funds For the Cost of Property" was approved for the amount of \$ 40,000.

Included in the original request for approval was minimal hardware such as scanners, touch screens and swipe cards. These additional items are described and considered as attachments, accessories, or auxiliary apparatus necessary to make the user license agreement for VOS usable for the purpose for which it was acquired. Therefore, this purchase exceeded the State's approved amount of \$40,000 by \$5,307.21.

We again, recommend that the MCWDO provide a CAP to CRD to ensure that it will, in the future, take the necessary action to ensure that they include all cost and any other charges necessary to make an item usable for the purpose for which it was acquired. All such associated costs must be included in the total cost for the purchase submitted to the State for prior approval.

Additionally, we recommend that MCWDO obtain the State's approval for the additional purchase amount of \$5,307.21 associated with this procurement.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this

Ms. Elaine Craig

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report to your office on the date indicated above, we request your response no later than August 8, 2008. Please submit your response to the following address:

Compliance Monitoring Section  
Compliance Review Division  
722 Capitol Mall, MIC 22M  
P.O. Box 826880  
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is the MCWDO's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain the MCWDO's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Ms. Karen Fuller-Ware at (916) 653-4174.

Sincerely,



JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Division

cc: Shelly Green, MIC 45  
Jose Luis Marquez, MIC 50  
Don Migge, MIC 50  
Roger Schmitt, MIC 50